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SUBJECT: Jordan's Electricity Sector Providing High-Quality Service  
at Higher Rates

Sensitive but unclassified; please protect accordingly. Contains  
proprietary information - not for distribution outside the USG.

Refs: A) AMMAN 628  
B) 07 AMMAN 2752

¶1. (U) This is an action request. Please see paragraph 8.

¶2. (SBU) Summary: Electricity demand in Jordan grew 13% in 2007 to reach 2,100 megawatts (MW). In response to rising fuel prices, the Electricity Regulatory Commission (ERC) raised electricity tariffs in mid-March 2008, which has helped reduce electricity demand growth in Jordan to a projected 7-8% for 2008. Projecting that the annual growth rate will stay around that level until 2020, the Government of Jordan (GOJ) has estimated that electricity demand in 2020 will be approximately 5,700 MW, requiring an additional generated capacity of an average 300 MW per year. Despite this challenge, the ERC feels confident that Jordan will be able to continue providing high quality, uniform service to customers nationwide with very few to no blackouts. Post welcomes Washington feedback on opportunities or ideas for facilitating exchanges between the Jordanian Electricity Regulatory Commission and other U.S. electricity regulatory commissions, particularly the California Energy Commission. End Summary.

#### Structure of the Electricity Sector

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¶3. (U) The Electricity Regulatory Commission is a financially- and administratively-independent body composed of five commissioners that was established by the GOJ to regulate and monitor the electricity sector. The ERC's main functions include issuing licenses for the generation, transmission and distribution of electricity; issuing sector regulations; determining electricity tariffs and connection charges; contributing to technical and environmental standards; and making recommendations to the GOJ for a more competitive market. Chairman Dr. Hisham Khatib and several commissioners informed Econoffs that since 2002, the Commission has been operating under Temporary Law No. 64. Khatib explained that the law has not yet become permanent due to "internal politics." NOTE: Temporary laws in Jordan, issued in the absence of a parliament, have the full effect of regular laws until reviewed by parliament. END NOTE.

¶4. (U) While ERC regulates the sector, under Jordan's current "Single Buyer Model," only the National Electric Power Company (NEPCO) is authorized to purchase locally generated electricity (ref B). Two main local generators -- Central Electricity Generating Company and Samra Electric Power Generating Company -- have been selling power to NEPCO, and a third, Amman East Independent Power

Producer (IPP) run by AES/Mitsui, is expected to begin generating electricity in July 2008. NEPCO in turn sells power to three distributors and principal consumers at regulated bulk supply tariffs. Distributors distribute and sell power to customers at regulated retail tariffs, which are categorized according to industry and market segment.

¶5. (SBU) Several companies have complained to Econoffs that while industries are allowed to generate their own electricity, the current law prohibits them from selling any excess power to neighboring companies or entities within the same industrial areas. The ERC acknowledged the current constraint, and said it was being examined. The ERC explained to Econoffs that the future vision of the electricity sector in 10 to 15 years entails wholesale competition.

#### New Tariff Structure

¶6. (U) The ERC set new, higher electricity tariffs, effective March 14, 2008, which replaced the former rates issued in July 2005. The measure aimed to respond to rising fuel prices, to maintain cost recovery, and to raise the necessary capital to continue investment in the power sector (ref A). The ERC does not expect to change the rates again before the end of the year. Khatib confirmed that the below-retail tariffs are set at zero cost to the government budget, although some of the higher bracket rates cross-subsidize the lower ones.

Non-commercial, domestic consumer rates (i.e., households, public buildings, union offices, places of worship, hospitals, slaughter

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houses, cultural/sports clubs, and charities):

- ¶A. 1-160 kWh/month - 32 fils (\$0.045)/kWh
- ¶B. 161 - 300 kWh/month - 71 fils (\$0.100)/kWh
- ¶C. 301 - 500 kWh/month - 85 fils (\$0.120)/kWh
- ¶D. Over 500 kWh/month - 113 fils (\$0.159)/kWh

Commercial consumer tariffs (including TV, broadcasting, restaurants, and hotels): 86 fils (\$0.121)/kWh

Four-star hotels and above connected to the network before the tariff came into force may choose the commercial flat rate or a three-part tariff:

- ¶A. Maximum load tariff: 3.79 JD/kW/month (\$5.35)
- ¶B. Day energy tariff: 81 fils (\$0.114) for each kWh sold

during the day between 07:00 and 23:00

- ¶C. Night energy tariff - 70 fils (\$0.099) for each kWh sold during the night between 23:00 and 7:00 the following day

Small industrial consumers (supplied from low-voltage networks with maximum loads not exceeding 200 kW): 49 fils (\$0.069)/kWh

Medium industrial consumers (supplied from medium-voltage networks (33, 11, 6.6 kV) or supplied from low-voltage networks with a load level exceeding 200 kW), and agricultural consumers connected to the network before the new prices came into effect:

- ¶A. Maximum load tariff - 3.79 JD (\$5.35)/kW/month
- ¶B. Day energy tariff - 46 fils (\$0.065) for each kWh sold

during the day between 07:00 and 23:00

- ¶C. Night energy tariff - 36 fils (\$0.051) for each kWh sold during the night between 23:00 and 7:00 the following day

Agriculture (flat rate tariff, including water pumping for irrigation, livestock, and poultry and bird farms): 47 fils (\$0.066)/kWh.

Water pumping and sewage treatment plants: 41 fils (\$0.058)/kWh.

Ports sector: 58 fils (\$0.082)/kWh

Jordan Armed Forces: 81 fils (\$0.114)/kWh

Street lighting: 51 fils (\$0.072)/kWh

#### Slow-Down in Electricity Demand

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¶7. (U) The ERC confirmed that higher rates have caused electricity demand to slow down. Although Khatib said that it was still too early to determine the full effect, the rate of growth appeared to be almost half. He estimated that it would be around 7-8% this year, compared to 12-14% in 2007. Despite the challenge of meeting increased demand, Khatib felt confident that Jordan would continue to provide high quality, uniform service to customers nationwide, noting that there are very few to no blackouts. NOTE: ERC statistics indicate that 99.9% of the population was supplied with electricity in 2007. END NOTE.

#### Facilitating Contacts in the U.S.

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¶8. (U) ACTION REQUEST: The ERC expressed the desire to develop contacts and exchange ideas on energy efficiency and demand side management with U.S. electricity regulatory agencies in the U.S., noting particular interest in the California Energy Commission. The ERC noted it would be willing to cover hotel and other local costs. Post welcomes Washington feedback on opportunities or ideas for facilitating such exchanges.

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